

Agricultural Diversification Program

(Approved September 21, 2001)

(Amended December 17, 2004)



The following guidelines and recommendations have been developed for the establishment of county Agricultural Diversification Programs, utilizing County Agricultural Development Funds.

This document provides program goals, eligible investments, and implementation guidelines for agencies seeking to initiate a local program. Guidelines are considered to be minimum standards by which a program is to be implemented.

Questions concerning these guidelines should be directed to the Governor's Office of Agricultural Policy at (502) 564-4627. Application for funds must be directed through the local County Agricultural Development Council(s).

Index

I. Program Goals	2
II. Eligible Investment Areas.....	3
A. Commercial Vegetable, Mushroom, And Herb Production.....	3
B. Commercial Fruit And Sweet Sorghum Production	5
C. Production Of Commercial Ornamental Horticultural Products	7
D. Greenhouse Construction Or Conversion For Horticultural Enterprises	9
E. Small Animal Production	
1. Bees	11
2. Rabbits	13
3. Sheep	14
F. Poultry Production	15
1. Commercial	15
2. Pastured & Other Fowl	17
G. Commercial Aquaculture Production	18
H. Equine Production	20
I. Direct-To-Consumer Livestock Production	21
J. Agri-tourism	23
K. Certified/Commercial Kitchen Construction or Renovation	24
III. Application Procedures	26

I. Program Goals

The goals of the program are to:

- Improve net farm income through the development and expansion of new agricultural products and through the development of new ways of dealing with existing agricultural commodities.
- Encourage research and science-based decisions for the creation, management and expansion of these programs.
- Impact a high number of producers affected by loss of income resulting from cuts in tobacco quota.
- Assist producers already exploring alternative agricultural enterprises who may lack capital to further expand their programs.

II. Eligible Investment Areas

A. Commercial Vegetable, Mushroom, and Herb Production

Goal: To develop new revenues by assisting farmers in small acreage production of vegetables, including edamame, mushrooms, and herbs for sale through any commercially viable method. To enable farmers previously not engaged in vegetable or herb production to determine its economic feasibility for their particular operation. To allow producers already engaged in vegetable or herb production to expand their operation.

Cost Share Items

1. Seeds, seedlings, spores, cuttings, and vegetable transplants in conformance with UK recommendations. In consultation with CES may include test varieties as part of a demonstration
2. Soil, media for plant production
3. Containers for starting and selling herbs
4. Fertilizer and soil amendments in accordance with soil test recommendation. Soil test must have been conducted within the previous twelve months
5. Plastic or plasticulture supplies and plastic laying equipment
6. Water and irrigation supplies and equipment
7. Boxes, labels, and packaging for transport and sales
8. Pesticide recommended for use in vegetable crops by UK; Includes organic and biological pest control for use by organic producers; As applicable, producer must hold a current Private Pesticide Applicator's card
9. Commercial spraying equipment and related protective gear. Producer must hold a current Private Pesticide Applicator's card
10. Cooling equipment
11. Sorting/grading equipment
12. Refrigerated and non-refrigerated equipment (excluding motorized vehicles) for transporting produce and finished product
13. Specialized harvesting equipment
14. Equipment essential to provide on-farm value-added processing

15. Computer hardware and software to assist in performance record keeping and financial management
16. One half the cost of participation in the Kentucky Farm Business Management Program
17. One half of the cost of membership in a producer owned marketing cooperative
18. Promotional and advertising materials in an amount not to exceed \$1,000, excludes products or services provided by the Kentucky Department of Agriculture or other state programs.
19. On-farm direct-to-consumer sales cost-share items:
 - a. Construction of new permanent structures or conversion of existing structures to be used for retail sale of product.

[Meeting rooms, exposition centers, educational facilities and construction or improvements to buildings serving primarily as residences are not eligible cost share items.]
 - b. Site preparation including on-site utility extensions and officially permitted on-site waste treatment facilities
 - c. Refrigerated and non-refrigerated equipment for storing product
 - d. Display equipment, including refrigerated equipment, to assist in selling of product

Prerequisites:

- All funds will be disbursed on a reimbursement basis.
- Producer must provide receipts for each item being funded. If funds are being borrowed, then a legal description of each item offered as collateral must accompany request for funds.
- Funds will reimburse materials expenses only. Labor is not an eligible cost share item.

B. Commercial Fruit and Sweet Sorghum Production

Goal: To develop new revenues by assisting farmers in production of small and large fruits for sale through any commercially viable method. To enable farmers previously not engaged in fruit production to determine its economic feasibility for their particular operation. To allow producers already engaged in fruit production to expand their operation. To assist in the development and expansion of sweet sorghum production and sale within the Commonwealth.

Cost Share Items:

1. Seeds, and rootstock, in conformance with UK recommendations.

Reimbursement for wine grape rootstock purchased after January 1, 2003 shall not be an eligible investment item in the Diversification Program. This provision will be evaluated annually, based upon the recommendations of the State Viticulturist.
2. Transplanting or cultivation equipment
3. Fertilizer and soil amendments in accordance with soil test recommendation; Soil test must have been conducted within previous twelve months
4. Plastic or plasticulture supplies and plastic laying equipment
5. Water and irrigation supplies and equipment
6. Trellis or other plant supporting materials
7. Jars, boxes, labels, and packaging for transport and sales
8. Pesticide recommended for use in fruit crops by UK; Includes organic and biological pest control for use by organic producers; As applicable, the producer must hold a current Private Pesticide Applicator's card
9. Commercial spraying equipment and protective gear. Producer must hold a current Private Pesticide Applicator's card.
10. Bird netting for protection of fruit crops
11. Specialized harvesting equipment
12. Cooling equipment
13. Sorting/grading equipment
14. Cider presses and other juice extracting equipment
15. Refrigerated and non-refrigerated equipment (excluding motorized vehicles) for transporting produce and finished product

16. Equipment essential to provide on-farm value-added processing
17. Computer hardware and software to assist in performance record keeping and financial management
18. One half the cost of participation in the Kentucky Farm Business Management Program
19. One half the cost of membership in a producer-owned marketing cooperative
20. Promotional and advertising materials in an amount not to exceed \$1,000, excludes products or services provided by the Kentucky Department of Agriculture or other state programs
21. On-farm direct-to-consumer sales cost-share items:
 - a. Construction of new permanent structures or conversion of existing structures to be used for retail sale of product.

[Meeting rooms, exposition centers, educational facilities and construction or improvements to buildings serving primarily as residences are not eligible cost share items.]
 - b. Site preparation including on-site utility extensions and officially permitted on-site waste treatment facilities
 - c. Refrigerated or non-refrigerated equipment for storing product
 - d. Display equipment, including refrigerated equipment, to assist in selling of product

Prerequisites:

- All funds will be disbursed on a reimbursement basis.
- Producer must provide receipts for each item being funded. If funds are being borrowed, then a legal description of each item offered as collateral must accompany request for funds.
- Funds will reimburse materials expenses only. Labor is not an eligible cost share item.

C. Production of Commercial Ornamental Horticultural Products

Goal: To assist in the development within the Commonwealth of an ornamental horticultural product industry, including landscape plants and fresh and dried flowers. To encourage farmers to establish ornamental horticultural operations on their farms. To assist farmers already engaged in ornamental horticulture to expand their operations.

Cost Share Items:

1. Seeds, seedlings and rootstock, in conformance with UK recommendations
2. Soil, media for plant production
3. Transplanting and harvesting equipment
4. Fertilizer and soil amendments in accordance with soil test recommendation; Soil test must have been conducted within the previous twelve months.
5. Plastic or plasticulture supplies and plastic laying equipment
6. Water and irrigation supplies and equipment
7. Containers for growing plants
8. Boxes, containers, labels, and packaging for transport and sales
9. Pesticide recommended for use in ornamental horticultural crops by UK. Includes organic and biological pest control for use by organic producers. As applicable, producer must hold a current Private Pesticide Applicator's card
10. Commercial spraying equipment and protective gear; Producer must hold a current Private Pesticide Applicator's card
11. Harvesting equipment, including mechanized tree spades
12. Cooling equipment
13. Refrigerated and non-refrigerated equipment (excluding motorized vehicles) for transporting product
14. Equipment essential to provide on-farm value-added processing
15. Computer hardware and software to assist in performance record keeping and financial management
16. One half the cost of participation in the Kentucky Farm Business Management Program

17. One half the cost of membership in a producer-owned marketing cooperative.
18. Promotional and advertising materials in an amount not to exceed \$1,000, excludes products or services provided by the Kentucky Department of Agriculture or other state programs.
19. On-farm direct-to-consumer sales cost-share items:
 - a. Construction of new permanent structures or conversion of existing structures to be used for retail sale of product.

[Meeting rooms, exposition centers, educational facilities and construction or improvements to buildings serving primarily as residences are not eligible cost share items.]
 - b. Site preparation including on-site utility extensions and officially permitted on-site waste treatment facilities
 - c. Refrigerated or non-refrigerated equipment for storing product
 - d. Display equipment, including refrigerated equipment, to assist in selling of product

Prerequisites:

- All funds will be disbursed on a reimbursement basis.
- Producer must provide receipts for each item being funded. If funds are being borrowed , then a legal description of each item offered as collateral must accompany request for funds.
- Funds will reimburse materials expenses only. Labor is not an eligible cost share item.

D. Greenhouse Construction or Conversion for Horticultural Enterprises

Goal: To assist producers in converting existing tobacco greenhouses to other horticultural uses. To assist in construction of new greenhouses for horticultural uses. To develop a year-round horticultural industry within the Commonwealth.

Cost Share Items:

1. Cooling and heating systems (fans, vents, heaters, motors, shade cloth, cooling pads, etc.)
2. Automatic irrigation systems
3. Benches, tables, rails
4. Hydroponic growing systems and components
5. Commercial spraying equipment and protective gear; Producer must hold a current Private Pesticide Applicator's card
6. Equipment essential to provide on-farm value-added processing
7. Refrigerated or non-refrigerated equipment (excluding motorized vehicles) for transporting produce
8. Computer hardware and software to assist in performance record keeping and financial management
9. One half the cost of participation in the Kentucky Farm Business Management Program
10. Greenhouse materials (plastic, glass, wood or metal)
11. Promotional and advertising materials in an amount not to exceed \$1,000, excludes products or services provided by the Kentucky Department of Agriculture or other state programs
12. On-farm direct-to-consumer sales cost-share items:
 - a. Construction of new permanent structures or conversion of existing structures to be used for retail sale of product.

[Meeting rooms, exposition centers, educational facilities and construction or improvements to buildings serving primarily as residences are not eligible cost share items.]
 - b. Site preparation including on-site utility extensions and officially permitted on-site waste treatment facilities
 - c. Refrigerated and non-refrigerated equipment for storing product
 - d. Display equipment, including refrigerated equipment, to assist in selling of product

Prerequisites:

- All funds will be disbursed on a reimbursement basis.
- Producer must provide receipts for each item being funded. If funds are being borrowed, then a legal description of each item offered as collateral must accompany request for funds.
- Funds will reimburse material expenses only. Labor is not an eligible cost share item.

E. Small Animal Production (Bees, Rabbits, Sheep)

Goal: To assist farmers in diversifying into small animal production through acquisition of quality stock and commercial equipment. To encourage additional processes which will add value to the market price of the small animals.

Prerequisites (for all subsections of this Investment Area)

- All funds will be disbursed on a reimbursement basis.
- Producer must provide receipts for each item being funded. If funds are being borrowed, then a legal description of each item offered as collateral must accompany request for funds.
- Funds will reimburse material expenses only. Labor is not an eligible cost share item.

1. Honeybees

1. New or used hives (used hives shall be inspected by State Apiarist prior to purchase), other wooden ware, foundation, specialty supers
2. New or used extractor, honey processing, bottling and storage equipment
3. Purchase of bees from an inspected source
4. Protective suits, veils, gloves, smoker, hive tool
5. Equipment essential to provide on-farm value-added processing
6. Jars, bottles, labels, boxes, signage for promoting/selling honey
7. Candle making supplies, including wax melter, molds, wicks
8. Approved medications
9. Non-motorized equipment essential for the transportation of beehives
10. Computer hardware and software to assist in performance record keeping and financial management
11. One half the cost of participation in the Kentucky Farm Business Management Program
12. One half the cost of membership in a producer-owned marketing cooperative.
13. Promotional and advertising materials in an amount not to exceed \$1,000, excludes products or services provided by the Kentucky Department of Agriculture or other state programs.

14. On-farm direct-to-consumer sales cost-share items:
 - a. Construction of new permanent structures or conversion of existing structures to be used for retail sale of product.

[Meeting rooms, exposition centers, educational facilities, and construction or improvements to buildings serving primarily as residences are not eligible cost-share items.]
 - b. Site preparation, including on-site utility extensions and officially permitted on-site waste treatment facilities
 - c. Refrigerated and non-refrigerated equipment for storing product
 - d. Display equipment, including refrigerated equipment, to assist in selling of product

2. Rabbit Production

1. Commercial bred New Zealand White or Californian breeding stock.
2. Cages or wire to make cages. Minimum size allowed 30" X 30" X 18". Wire must be 14-gauge or better.
3. Automatic (nipple) water delivery system, including line, regulators, medicator, and pumps
4. Feeders, nest boxes
5. Materials to construct manure handling system
6. Ventilation equipment such as fans, curtains, heaters, air conditioners
7. Equipment essential to provide on-farm value-added processing
8. Transport cages
9. Computer hardware and software to assist in performance record keeping and financial management
10. One half the cost of participation in the Kentucky Farm Business Management Program
11. One half the cost of membership in a producer-owned marketing cooperative.
12. Promotional and advertising materials in an amount not to exceed \$1,000, excludes products or services provided by the Kentucky Department of Agriculture or other state programs.
13. On-farm direct-to-consumer sales cost-share items:
 - a. Construction of new permanent structures or conversion of existing structures to be used for retail sale of product.

[Meeting rooms, exposition centers, educational facilities, and construction or improvements to buildings serving primarily as residences are not eligible cost-share items.]
 - b. Site preparation, including on-site utility extensions and officially permitted on-site waste treatment facilities
 - c. Refrigerated and non-refrigerated equipment for storing product
 - d. Display equipment, including refrigerated equipment, to assist in selling of product

3. Sheep

1. Ram and/or semen purchase for the improvement of the sheep flock¹
2. Purchase of up to 15 breeding females for establishment of the sheep flock¹
3. Testing of breeding sheep for scrapies
4. Producers must be enrolled in the USDA Scrapies Eradication Program
5. Producers must submit all results to the State Veterinarian Office
6. Materials to renovate existing tobacco barns for use in sheep production
7. Handling equipment essential to improving health practices
8. Other equipment essential to provide on-farm value-added processing
9. Refrigerated and non-refrigerated equipment (excluding motorized vehicles) for transporting product
10. Computer hardware and software to assist in performance record keeping and financial management
11. One half the cost of participation in the Kentucky Farm Business Management Program
12. One half the cost of membership in a producer-owned marketing cooperative
13. Promotional and advertising materials in an amount not to exceed \$1,000, excludes products or services provided by the Kentucky Department of Agriculture or other state programs.
14. The following on-farm direct-to-consumer sales cost-share:
 - a. Construction of new permanent structures or conversion of existing structures to be used for retail sale of product.

[Meeting rooms, exposition centers, educational facilities and construction or improvements to buildings serving primarily as residences are not eligible cost share items.]
 - b. Site preparation including on-site utility extensions and officially permitted on-site waste treatment facilities
 - c. Refrigerated or non-refrigerated equipment for storing product
 - d. Display equipment, including refrigerated equipment, to assist in selling of product

¹ All cost-share purchases must be scrapies resistant.

F. Poultry Production

Goal: To enable farmers involved in poultry production to expand the scope of their enterprise and/or modernize their facilities in order to improve profitability. To encourage additional processes which will add value to the market price.

Prerequisites (for all subsections of this Investment Area)

- All funds will be disbursed on a reimbursement basis.
- Producer must provide receipts for each item being funded. If funds are being borrowed, then a legal description of each item offered as collateral must accompany request for funds.
- Funds will reimburse material expenses only. Labor is not an eligible cost share item.
- Costs involved with connecting to city water are **not** eligible.

1. Commercial Poultry

1. Equipment for litter management
2. Insect sprayers / cleaning and disinfection equipment
3. Manure handling equipment
4. Litter spreaders
5. Compost equipment / mortality disposal equipment
6. Energy saving equipment and building modifications
7. Building modifications and equipment to improve profitability and net income
8. Alternative water sources
9. Litter storage buildings for producers in counties where local boards have not made it a priority. Producers receiving funds through the Conservation District for litter facilities are not eligible for this item.
10. Other equipment essential to provide on-farm value-added processing
11. Refrigerated and non-refrigerated equipment (excluding motorized vehicles) for transporting product
12. Computer hardware and software to assist in performance record keeping and financial management
13. One half the cost of participation in the Kentucky Farm Business Management Program
14. One half the cost of membership in a producer-owned marketing cooperative
15. Promotional and advertising materials in an amount not to exceed \$1,000, and not to include products or services provided by the Kentucky Department of Agriculture or other state programs.

16. The following on-farm direct-to-consumer sales cost-share:

- a. Construction of new permanent structures or conversion of existing structures to be used for retail sale of product.

[Meeting rooms, exposition centers, educational facilities and construction or improvements to buildings serving primarily as residences are not eligible cost share items.]

- b. Site preparation including on-site utility extensions and officially permitted on site waste treatment facilities
- c. Refrigerated or non-refrigerated equipment for storing product
- d. Display equipment, including refrigerated equipment, to assist in selling of product

2. Pastured Poultry & Other Fowl (squab, pheasant, quail, chuckar, partridge, guinea fowl, water fowl and pea fowl)

1. Commercial breeding stock
2. Feeders, waterers, brooders, poultry coops, nesting boxes
3. Poultry netting and other temporary fencing
4. Grazing cages (field pens), rolling hen houses, skid mounted chicken houses
5. Permanent pens and shelters (Other fowl, only)
6. Fruit trees for poultry feed source
7. Egg processing and packaging equipment, including coolers and refrigerators
8. Pasture / pen water lines or alternative water sources
9. Other equipment essential to provide on-farm value-added processing
10. Refrigerated and non-refrigerated equipment (excluding motorized vehicles) for transporting product
11. Computer hardware and software to assist in performance record keeping and financial management
12. One half the cost of participation in the Kentucky Farm Business Management Program
13. One half the cost of membership in a producer-owned marketing cooperative
14. Promotional and advertising materials in an amount not to exceed \$1,000, excludes products or services provided by the Kentucky Department of Agriculture or other state programs.
15. On-farm direct-to-consumer sales cost-share items:
 - a. Construction of new permanent structures or conversion of existing structures to be used for retail sale of product.

[Meeting rooms, exposition centers, educational facilities, and construction or improvements to buildings serving primarily as residences are not eligible cost-share items.]

- b. Site preparation, including on-site utility extensions and officially permitted on-site waste treatment facilities
- c. Refrigerated and non-refrigerated equipment for storing product
- d. Display equipment, including refrigerated equipment, to assist in selling of product

G. Commercial Aquaculture Production

Goal: To assist cultivating the aquaculture industry within the Commonwealth. To provide assistance to new and established Kentucky producers seeking to make new investments or expand in aquaculture production.

Cost Share Items:

1. Eligible expenses for construction of aquaculture production pond and impoundment reservoirs:
 - a. Earth moving costs (embanking and excavating ponds; land shaping; professional labor)
 - b. Cost of providing water source (piping and conduits; drain and drain structure; professional labor)
 - c. Costs for electrical power (wiring, switches, control panels, professional labor)
2. Equipment and materials necessary for pond aeration (e.g. aerators, pumps)
3. Equipment essential to provide on-farm value-added processing
4. Refrigerated and non-refrigerated equipment (excluding motorized vehicles) for transporting product
5. Computer hardware and software to assist in performance record keeping and financial management
6. One half the cost of participation in the Kentucky Farm Business Management Program
7. One half the cost of membership in a producer-owned marketing cooperative
8. Promotional and advertising materials in an amount not to exceed \$1,000, excludes products or services provided by the Kentucky Department of Agriculture or other state programs.
9. On-farm direct-to-consumer sales cost-share items:
 - a. Construction of new permanent structures or conversion of existing structures to be used for retail sale of product.

[Meeting rooms, exposition centers, educational facilities and construction or improvements to buildings serving primarily as residences are not eligible cost share items.]
 - b. Site preparation including on-site utility extensions and officially permitted on-site waste treatment facilities
 - c. Refrigerated equipment for storing product

- d. Display equipment, including refrigerated equipment, to assist in selling of product

Prerequisites:

- All funds will be disbursed on a reimbursement basis.
- Producer must provide receipts for each item being funded. If funds are being borrowed, then a legal description of each item offered as collateral must accompany request for funds.
- Pond must be a minimum of one-half surface acre in size.
- Ponds must conform to Governor's Office of Agricultural Policy technical guidelines for construction of commercial aquaculture ponds.
- Note that there are different standards for shrimp production and finfish production.
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H. Equine Production

Goal: To enable farmers who previously have not been engaged in equine production or to allow producers already engaged in equine production to expand the scope of their operations. To increase net income in equine industry statewide.

Cost Share Items

1. Materials to renovate existing tobacco barns by conversions to horse stalls
2. Fencing materials to enlarge paddock turn-out areas for owned and boarded animals
3. Water lines to existing and expansion paddock areas
4. Equipment (excluding motorized vehicles) for transporting animals Computer hardware and software to assist in performance record keeping and financial management
5. One half the cost of participation in the Kentucky Farm Business Management Program
6. Promotional and advertising materials in an amount not to exceed \$1,000, excludes products or services provided by the Kentucky Department of Agriculture or other state programs.
7. On-farm direct-to-consumer sales cost-share items:
 - a. Construction of new permanent structures or conversion of existing structures to be used for retail sale of product.

[Meeting rooms, exposition centers, educational facilities and construction or improvements to buildings serving primarily as residences are not eligible cost share items.]

- b. Site preparation including on-site utility extensions and officially permitted on-site waste treatment facilities
- c. Equipment for storing product
- d. Display equipment, including refrigerated equipment, to assist in selling of product

Prerequisites:

- All funds will be disbursed on a reimbursement basis.
- Producer must provide receipts for each item being funded. If funds are being borrowed, then a legal description of each item offered as collateral must accompany request for funds.
- Funds will reimburse material expenses only. Labor is not an eligible cost share item.

I. Direct-to-consumer Livestock Production

Goal: To assist producers of livestock who desire to direct-market their livestock to consumers by use of small USDA approved slaughter facilities within the state. To increase net farm income by providing an alternative marketing outlet for commercial livestock.

Cost Share Items:

1. Animal transport equipment (excluding motorized vehicles)
2. Boxes, containers, labels and packaging for transport and sales
3. Refrigerated equipment (excluding motorized vehicles) for transporting finished product
4. Equipment essential to provide on-farm value-added processing
5. Computer hardware and software to assist in performance record keeping and financial management
6. One half the cost of participation in the Kentucky Farm Business Management Program
7. One half the cost of membership in a producer-owned marketing cooperative
8. Promotional and advertising materials in an amount not to exceed \$1,000, excludes products or services provided by the Kentucky Department of Agriculture or other state programs.
9. On-farm direct-to-consumer sales cost-share items:
 - a. Construction of new permanent structures or conversion of existing structures to be used for retail sale of product.

[Meeting rooms, exposition centers, educational facilities and construction or improvements to buildings serving primarily as residences are not eligible cost share items.]

- b. Site preparation including on-site utility extensions and officially permitted on-site waste treatment facilities
- c. Refrigerated equipment for storing product
- d. Display equipment, including refrigerated equipment, to assist in selling of product

Prerequisites:

- All funds will be disbursed on a reimbursement basis.
- Producer must provide receipts for each item being funded. If funds are being borrowed, then a legal description of each item offered as collateral must accompany request for funds.
- Funds will reimburse material expenses only. Labor is not an eligible cost share item.

J. Agri-tourism Development

Goal: To assist producers in the development or renovation of agritourism projects that promote economic activity that occurs on a farm for the enjoyment or education of the public to promote agricultural products, services, or experiences, which generates additional farm income.

Cost Share Items

1. Site preparation for items that ensure consumer safety: parking areas, grading, traffic flow, sidewalks, and established walkways.
2. One time cost-share on one half of the cost of liability insurance for new agri-tourism ventures
3. Equipment essential to provide on-farm valued-added processing
4. Computer hardware and software to assist in performance record keeping and financial management
5. One half the cost of participation in the Kentucky Farm Business Management Program
6. One half the cost of membership in a producer-owned marketing cooperative
7. Promotional and advertising materials in an amount not to exceed \$1,000, excludes products or services provided by the Kentucky Department of Agriculture or other state programs.
8. On-farm direct-to-consumer sales cost-share items:
 - a. Construction of new permanent structure or conversion of existing structures to be used for retail sale of product, including restrooms

[Meeting rooms, exposition centers, educational facilities, and construction or improvements to buildings serving primarily as residences are not eligible cost-share items.]
 - b. Site preparation including on-site utility extensions and officially permitted on-site waste treatment facilities
 - c. Refrigerated or non-refrigerated equipment for storing product
 - d. Display equipment, including refrigerated equipment, to assist in selling of product

Prerequisites:

- All funds will be disbursed on a reimbursement basis.
- Producer must provide receipts for each item being funded. If funds are being borrowed, legal description of each item offered as collateral must accompany request for funds.
- Funds will reimburse materials expenses only. Labor is not an eligible cost share item.

K. Certified/Commercial Kitchen Construction or Renovation

Goal: To assist producers in the construction of a certified kitchen on their farm or in the conversion of an existing space to accommodate a kitchen permitted by the Department of Health for the on-farm production of value-added food items, as covered by House Bill 391.

Cost Share Items

1. Construction materials to install the appropriate grade of washable ceiling tiles, flooring, and wall covering
2. Materials for the installation of wter lines, gas lines, and drainage lines from existing lines, not including labor
3. Materials to install any necessary hand or mop sinks
4. Materials to install appropriate lighting
5. Equipment necessary to add value to fruit and vegetable crops or to produce baked items in compliance with HB 391, including, but not limited to, stoves, refrigerators/freezers, preparatory equipment, canners, stainless steel tables, storage facilities/equipment.
6. Production supplies including jars, boxes, bottles, labeling and packaging materials
7. Computer hardware and software to assist in performance record keeping and financial management
8. One half the cost of attending a training program required by the Cabinet for Health Services under HB 391 for home processing and micro-processing of food products, **or training required to become a commercial processor.**
9. One half the cost of participation in the Kentucky Farm Business Management Program
10. One half the cost of membership in a producer-owned marketing cooperative
11. Promotional and advertising materials in an amount not to exceed \$1,000, excludes products or services provided by the KY Department of Agriculture or other state programs.
12. On-farm direct-to-consumer sales cost-share items:
 - a. Construction of new permanent structure or conversion of existing structures to be used for retail sale of product, including restrooms

[Meeting rooms, exposition centers, educational facilities, and construction or improvements to buildings serving primarily as residences are not eligible cost-share items.]
 - b. Site preparation including on-site utility extensions and officially permitted on-site waste treatment facilities
 - c. Refrigerated or non-refrigerated equipment for storing product
 - d. Display equipment, including refrigerated equipment, to assist in selling of product

Prerequisites:

- All funds will be disbursed on a reimbursement basis.
- Producer must provide receipts for each item being funded. If funds are being borrowed, legal description of each item offered as collateral must accompany request for funds.
- Funds will reimburse materials expenses only. Labor is not an eligible cost share item.

III. Application Procedures

A. Guidelines for Local Agency Application for Program Administration

1. The local agency must be qualified and willing to administer the full responsibilities of the program. A tax identification number, a letter expressing a willingness to administer the program, and an indication of specific individuals that will be responsible for administering and reporting on the program must be included in the application.
2. Regional agencies may participate as grantees, if Agricultural Development Councils from the region concur. Regional grantees will be required to account for Agricultural Development Funds on a county-by-county basis and may spend County funds only in the County from whose account funds are drawn, unless the respective County Agricultural Development Council has agreed to fund expenditures outside its county boundary.
3. The program administrator shall identify two co-signers for the purpose of signing checks and disbursing funds from the program's account. The program administrator shall indicate who they are and their position within the organization.
4. Either the fiscal agent or the individuals who sign checks for the program shall be bonded or appropriately insured at a level sufficient to cover the amount of the funds being administered. Documentation of bonding or appropriate insurance shall be submitted with the signed legal agreement.
5. The local agency must communicate in the application the activity and scope of existing related county programs supporting the eligible investment areas in Agricultural Diversification that farmers can access through other agencies. Need for a new program must be clearly evident in the application.
6. The *County Model Program Application*, including cover sheet, must be submitted with a *County Priority Sheet* for new program requests. Requests for additional funds, within the 12-month term of the original agreement, require the *Application Cover Sheet* and the *County Priority Sheet*.
7. Agricultural Development Funds contributed to the program cannot exceed 50%, unless the program administrator or the County Council determines that a reduced match is needed for this program.

The Council may approve a reduction in the producer's cost-share for this program to an amount **no less than 25%**. This decision and the cost-share percentages shall be indicated on the *County Council Priority Sheet*, which is sent to the Agricultural Development Board with the application.

8. Counties shall place a dollar cap on the maximum cost share per producer [defined by Social Security Number (SSN) / Tax Identification Number (TIN) and Farm Serial Number (FSN)] for **Agricultural Diversification** of up to **\$5,000.00** for the 12-month period from the execution date of the legal agreement between the administrator and the Agricultural Development Board.

9. Currently there is no lifetime maximum for the Agricultural Diversification Program, unless the program administrator or County Agricultural Development Council has set such limits on the local level.
10. Any funds requested for administrative purposes shall not be used to replace the funding sources of existing or established salaries and positions. Program administration funds may be used for costs above and beyond normal duties and salaries that are associated with:
 - a. Processing of producer payments;
 - b. Processing of producer applications;
 - c. Completion of program reporting forms;
 - d. Promotion of program availability;
 - e. Cost of bonding; and
 - f. Program compliance activities

One or more local agencies may combine administrative functions to create more efficient programs of grant administration.

11. The program administrator shall ensure that commingling of agricultural development funds does not occur. Therefore, the program's funds shall reside in a unique and separate bank account from any other account.

Administrators who are the fiscal agent for multiple counties may keep at a minimum one account per county. However, one account per program per county is preferred.

12. Local program sign-up and advertising shall not occur prior to the execution of the legal agreement between the program administrator and the Agricultural Development Board.
13. Demonstration programs are strongly recommended as part of the Cooperative Extension Service role in the program. The demonstrations should show differences between production techniques and marketing for that particular enterprise. While eligibility to participate need not be explicitly tied to attending a demonstration, it is strongly recommended that these demonstration programs be a component of this model program.
 - a. Demonstration program promotion should be evident in the application. It is recommended the demonstration be local and on-farm.
 - b. It is recommended that funds be set aside for implementation of the demonstration program, reimbursed by receipt. These costs would not include food for field days, but should be expendables related to the demonstration.
14. Attendance at educational sessions related to the establishment of the local diversification program shall be required for participation in the program.

B. Guidelines for Local Agency Administration

1. After receiving a copy of the executed agreement, there shall be a minimum of two consecutive weeks of advertising with applications being accepted no earlier than two weeks after the date of the first advertisement. This must occur for each sign-up period, if there is more than one sign-up during the duration of the grant agreement.

For example, when the administrator receives a copy of their executed agreement they may begin advertising for sign-ups. If the first advertisement runs January 15, then the first application may be taken January 29.

2. An advertisement must, at the very least, be prominently displayed in the county's newspaper where the most farmers will see it. A copy of the advertisement, which included the name and date of the newspaper, shall be submitted to the KADB staff.
3. The application and program promotion and communication plan should be outlined in the agency's application for Agricultural Development Funds. The application shall be submitted to and approved by the program administrator before the producer can receive reimbursement for any costs incurred.
4. A producer application for the program must be developed by the administrative agency. Award of cost-share funds shall be based upon evaluation criteria. The program administrator will review each application for completeness and score each application according to the evaluation criteria.

Suggested evaluation criteria may include, but not be limited to:

- a. Degree of applicant's tobacco-producing dependency
 - i. Applicant calculates their dependency by dividing their income from tobacco (sale or lease) by their total personal income
 - ii. Applicant provides the administrator with the percentage
 - b. Percentage of personal income from farming
 - i. Applicant divides their gross farming income by their total personal income
 - ii. Applicant provides the administrator the percentage
5. In cases where there is a waiting list, it is recommended that extra points be part of the scoring system to ensure that those approved, but not receiving funds in the prior 12-month program, receive priority in the new program.

Applicants must indicate their intent to be considered in the new program, or their application will not be automatically rolled over into the new program for funding consideration.

6. Deadlines shall be established for producer application and reimbursement periods so producers have concrete timelines to implement the program. Should they fail to meet the deadlines for reimbursement, they must reapply to be considered for cost-share.

7. Approved producers must submit the Producer Report associated with the program/investments being cost-shared, before reimbursement funds are received.

These Producer Reports are for the Administrator to use in filling out both the quarterly and close-out reports for the program, and to maintain on-file.

8. The program shall be open to all county/regional producers and shall not be tied to participation in any organization.

Administrators shall not reject an application solely based on the applicant's residency, assuming funding is available and the application meets the program guidelines. Administrators shall accept an application if the applicant's farm is located in the county and the cost-share will be used in the county, even if the Farm Serial Number (FSN) is registered in another county.

9. Each individual/producer who receives \$600 or more shall be supplied an IRS form 1099 or equivalent tax accounting documentation. The program administrator is responsible for distributing the necessary tax information.
10. The program administrator may choose to include eligible model cost-share program expenses for reimbursement on a retroactive basis. However, this retroactive date shall not be more than 12 months prior to the producer's application for this program.
11. Program administrators shall be required to conduct random site visits.
12. Legal agreements between the program administrator and the Agricultural Development Board shall be for a term of 12-months from the execution date of the agreement. There will be no renewals or extensions of this agreement.
13. If funds set forth in the agreement between the Agricultural Development Board and the administrator are not completely utilized within the term of the legal agreement, then remaining funds, including interest, shall be returned to the Agricultural Development Board for redeposit into the county's account.

Checks should be made payable to the **Kentucky State Treasurer**.

14. Any and all interest earned on funds for this program shall be applied to this program. Any remaining funds, including interest income, shall be returned to the Agricultural Development Board for redeposit into the county's account at the end of the term of the agreement. All interest earned shall be reported on a quarterly basis.
15. **Reporting: Quarterly Reporting**, which includes the *Model Program Summary* and *Program Quarterly Detail*, is required of the program administrator. Reporting forms can be downloaded from http://agpolicy.ky.gov/funds/program_reporting.shtml. These reporting forms shall be submitted electronically to govkyagpolicy@ky.gov or a diskette mailed to Governor's Office of Agricultural Policy/404 Ann Street/Frankfort, KY 40601.

A **reconciliation report** is due 60 days after the term of the agreement. The reconciliation report includes, but is not limited to, the *Model Program Summary* and

the *Program Quarterly Detail* for any payments made since the last submitted quarterly report. Also, copies of bank statements with check numbers and amounts shall be kept on file according to the legal agreement and presented in the event of an audit. Administrators shall maintain all administrative records for this program for a period of seven (7) years.

The **Close-out** of this agreement may occur when the above is completed and verified, and any programmatic data due from producers is submitted on the *Close-out Data Report*. This final close out may occur at a date beyond the reconciliation, depending on the program.

16. Model program guideline compliance and quarterly reporting of expenditures are essential to gauging the impact and continuity of the program. Therefore, county model programs may be audited on a random basis. The administrator shall produce all documents pertaining to individual producers who participate in this program, as well as other appropriate financial documents related to this program's account.
17. For this program, the program administrator may **distribute awards** to applicants in **multiple increments**, similar to the "Hay, Straw, & Commodity Storage" program.

C. Guidelines for Producer Application Development by Local Agency

1. A producer application for the program shall be developed by the local agency. The application and program promotion and communication plan shall be outlined in the agency's application for funds under the model program.
2. The producer application must be signed and dated by the producer and must include a date/time stamp from the program administrator, as well as the initials of person logging in the application.
3. Postmarks or dated letters of application shall not override the stamp applied by the administrative body.
4. A producer application from an individual without a Tax ID (TIN) / Social Security (SSN) Number and Farm Serial Number (FSN) will be considered incomplete.

Tenant farmers or those leasing land where the cost-share improvements will be located should supply a copy of their Schedule F, if they are unable to obtain permission to use the owner's FSN.

For all capital construction projects/improvements, the land owner **must** be the applicant.

5. The producer application shall clearly state all pertinent requirements, including evaluation criteria.
6. A statement regarding the understanding of requirements by the producer and verification of the producer's total cost-share awarded under this program shall be included with the application. The **Producer Certification Form** (Appendix A) must be included in the producer application for this program.

D. Producer Funding Guidelines

1. Fund distribution to producers will be on a reimbursement basis.
2. The producer shall supply a numbered and dated receipt indicating buyer and seller information in order to be eligible for payment. Payment shall only be made for eligible cost-share items identified in Section II of these guidelines.
3. Producers who intend to take part in the program shall supply a Social Security (SSN) or Tax ID TIN) number and Farm Serial Number (FSN) to receive payment. Both of these numbers must be supplied to the Agricultural Development Board.

The Agricultural Development Board recognizes every applicant's right to privacy and understands it's obligation to keep applicant/producer information confidential. Any information provided to the Agricultural Development Board or Program Administrator on individual producer applications for model programs, such as the applicant's address and Social Security / Tax Identification Number, will be kept confidential by authority of the Agricultural Development Board as granted in KRS 248.701 to 248.727 and by KRS 61.878. The Agricultural Development Board does not disclose any nonpublic personal information regarding applicants/producers, past or present, except as permitted or required by the Kentucky Open Records Act, KRS 61.870 to 61.884 or other law(s).

4. [For capital construction projects] Producers shall provide an annual report on the program and maintain ownership of the property for 5 years past the participation date in the program.
5. Should the producer fail to utilize funds by the program administrator's reimbursement deadline, said funds shall be reallocated to the next available application. Additionally, the producer must reapply to be considered for cost-share funds.
6. As a prerequisite for participation in this program, each producer will be required to provide a statement of relevant prior experience, along with a marketing plan, and enterprise budget for each commodity where assistance is being sought.

APPENDIX A:**Producer Certification Form**

(Producer: Please retain a copy for your records. Administrator: Please keep with producer's application.)

The overall mission of the Agricultural Development Fund is to help the agriculture community diversify their agricultural operations and increase net farm income. To that end, Model Programs were developed to provide cost-share assistance to individual producers through a local program administrator. To judge the success and impact of these programs, as well as monitor the distribution of these funds, the Agricultural Development Board requires the below information. This information is required for a producer to receive funding.

All confidential information provided by the applicant shall be protected by the Agricultural Development Board and the County Agricultural Development Council, as outlined in the model program guidelines and the Kentucky Open Records Act, KRS 61.870 to 61.884.

Name:	
Farm Serial Number (FSN):	Social Security (SSN) / Tax ID (TIN) Number:
Farm Address:	
Farm County:	

Funds Received through This Model Program

Please list all funds received through the _____ (specify program)
model program by year in this or any other county.

2001: \$	2002: \$	2003: \$
2004: \$	2005: \$	Total Funds: \$

If this form is being used for the **Cattle Genetics Improvement Program**, then please list the number of bulls received, in addition to the above funding information.

of Bulls:

Note: Please refer to the model program guidelines for 12-month term maximums and lifetime program maximums.

I, _____, hereby certify that I have read all of the terms and requirements for this program and agree to follow the guidelines. I understand that I am required to provide all of the above information prior to participation in this program.

I also certify that I have not received funds for this model program from another county within the last 12 months.

I agree to use the funds I receive in the manner intended by the Agricultural Development Board and the Program Administrator. I further agree to provide copies of invoices, receipts, cancelled checks, etc. to the Program Administrator.

I will report the progress and results of these improvement practices and any resulting economic value to my operation.

Signature:	Date:
Name Printed:	